

March 3, 1941

Sirs:

Articles 17(b), (c) and (d) of the General Provisions forming part of Contracts NOD-1430, NOD-1432, NOD-1433, NOD-1497, NOD-1500, NOD-1503 and NOD-1642, provide for reimbursement of the Contractor by the Navy Department of the additional cost incurred in connection with overtime and shift work, where such overtime or shift work has been approved by the Navy Department.

In order to extend these provisions to subcontracts, the Secretary of the Navy hereby authorizes the following changes in the General Provisions of each of the above-mentioned contracts:

Article 17(b):

Line 1 - after the word "contractor", insert the words "or any subcontractor under this contract".

Line 5 - after the word "contractor", insert the words "or such subcontractor".

Line 7 - after the word "contractor", insert the words "or such subcontractor".

Article 17(c):

Line 1 - after the word "contractor", insert the words "or any subcontractor under this contract".

Line 4 - after the word "contractor", insert the words "or such subcontractor".

Line 6 - after the word "contractor", insert the words "or such subcontractor".

Article 17(d):

Line 1 - after the word "contractor", insert the words and punctuation", or any subcontractor under this contract on whose behalf the contractor claims reimbursement under paragraphs (a) or (b) of this article,".

For the sake of clarity, the Secretary of the Navy hereby further modifies the General Provisions forming part of Contracts NOD-1430, NOD-1432, NOD-1433, NOD-1497, NOD-1500 and NOD-1503, as follows:

Article 23(d):

Line 9 - after "vessel/vessels", insert "hereby agrees,".

Article 12(c) of Contracts NOD-1430, NOD-1433, NOD-1497, NOD-1500, NOD-1503 and NOD-1642, authorizes the Contractor, with the written approval of the Secretary of the Navy or the Chief of the Bureau of Ships as his duly authorized representative, to enter into subcontracts on a cost-plus-a-fixed-fee basis, on a price-adjustment basis, or on such other basis as may be approved. In order to permit the Contractor to modify existing subcontracts under this provision, the Secretary of the Navy hereby modifies each of these contracts as follows:

Article 12(c):

Line 5 - Change the period following the word "approved" to a semicolon and add the following:

"similarly, if the contractor shall have obtained in advance such written approval, he may, by agreement with the subcontractor, change any subcontract to a cost-plus-a-fixed-fee basis, a price-adjustment basis, or such other basis as may be approved."

By letter of February 19, 1941, form of Contract NOD-1732 for the construction of four Destroyers Nos. DD645 to 648, inclusive, was forwarded to the Contractor for execution. If this contract has not been forwarded to the Navy

Department, it is requested that the above changes, except for that applying to Article 23(d) of the General Provisions, which has already been made, be inserted in all copies of form of Contract N0d-1732 and the General Provisions forming part thereof, and that appropriate entries covering such insertions be added under Article 14 of the contract and Article 25 of the General Provisions.

It is requested that receipt of this letter be acknowledged.

Respectfully,

James Forrestal

Acting Secretary of the Navy

Federal Shipbuilding and Dry
Dock Company,
Kearny, New Jersey.

CC: BuShips CompBd (2)
SupShip, Kearny G.A.O. (Audit Div)
BuS&A

part of the contractor other than that hereinabove mentioned for materials or work required for such vessel, vessels, such orders shall be considered as contracts or subcontracts for the purposes of paragraphs (b) and (c) of this article.

(d) Payments for increases in contract price, resulting from the above, will be deferred until preliminary settlement: *Provided, however*, That the Secretary of the Navy may make partial payments on account of such increases as may accrue from time to time subject to such requirements as a condition precedent to such payments as he may prescribe.

Payment for adjustments.

(e) The Secretary of the Navy reserves the right to substitute for the Labor Index or the Materials Index any other method or index should it appear at any time, in the judgment of the Secretary of the Navy, that the specified indices do not reflect equitably the increases or decreases in costs of material or labor under the contract: *Provided*, That the Secretary of the Navy may appoint a board for the purpose of determining the revised adjustments for the net increased amounts, if any, on account of changes in labor or material costs and the contractor will be bound by the findings of such board upon approval thereof by the Secretary of the Navy.

Change in method of adjustment.

(2) The following provisions concerning the determination of cost and maintenance of records and accounts shall be applicable to such subcontracts, in the event that the Department authorizes the contractor to place subcontracts for any materials, equipment, or services on a cost-plus-a-fixed-fee basis.

Costs will be determined by the Compensation Board in general accordance with the procedure for determining costs as set forth in the Regulations promulgated by the Treasury Department and approved by the Secretary of the Navy August 6, 1940 (T. D. 5000). The subcontractor shall maintain accurate accounts and records appertaining to the performance of this contract, and such accounts and records shall be open at all times to the Department and its representatives. Statements and returns relative to expenditures shall be made as and when directed by the Department. All information obtained from the subcontractors' accounts and records will be treated as confidential.

ART. 13. If and when the interests of the national defense so require, the Secretary of the Navy may, in agreement with the contractor, modify this contract to a cost-plus-a-fixed-fee form of contract.

Modification of contract.

ART. 14. The contractor hereby expressly agrees to comply, during the period prescribed by law, with the provisions of Section 3 of the act approved March 27, 1934 (U. S. Code, title 34, sec. 496), as amended by the acts approved June 25, 1936 (U. S. Code, title 34, sec. 496, Sup. III), April 3, 1939 (Public, No. 18, 76th Cong.), and June 28, 1940 (Public, No. 671, 76th Cong.), and regulations issued in pursuance thereof.

Limitation of profit.

ART. 15. The following changes were made in the contract before it was signed by the parties below:

THE UNITED STATES OF AMERICA.

By /s/ James Forrestal
Acting Secretary of the Navy.

As to James Forrestal
Acting Secretary of the Navy:

FEDERAL SHIPBUILDING & DRY DOCK COMPANY
Contractor

By 15/ L.H. Korndorff
President

(Business address)

Two witnesses:

/s/ H.C.Hansen

/s/ E.C.Eyer

I, F. J. McWilliams, certify that I am the Asst. Secretary of the corporation named as contractor herein; that L. H. Korndorff who signed this contract on behalf of the contractor was then President of said corporation; that this contract was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

[CORPORATE SEAL]

/s/ F.J.McWilliams

[illegible]

RESTRICTED.

FIXED PRICE ADJUSTED
FOR LABOR AND MATERIAL.

GENERAL PROVISIONS

FORMING PART OF CONTRACTS FOR THE CONSTRUCTION OF NAVAL VESSELS

1. The purpose of these General Provisions is to supplement the clauses in the Navy Department Fixed Price with Adjustment Clauses form of contract for the construction of naval vessels and to form part of such contract. The bidder receiving the award and entering into contract is referred to hereinafter as the contractor and the United States of America as the Department.

Purpose.

2. No inadvertent omission in the plans or specifications necessary to carry this contract into full and complete effect in accordance with the object and intent of the plans and specifications relating thereto shall operate to the disadvantage of the Department, and any such omission and the work necessary to correct it shall be supplied, performed, and observed satisfactorily by the contractor, and all claims for extra compensation by reason of, or for, or on account of such inadvertent inclusion in the plans and specifications of any detail, object, or provision not necessary to carry this contract into full and complete effect shall operate to the disadvantage of the contractor.

Omission from plans and specifications.

3. (a) The plans and specifications contain information of a character that cannot be made public without detriment to the Government's interests, and they are to be treated as confidential by the parties to this contract. The plans and specifications for the vessel/vessels come within the scope covered by "An Act to Punish Acts of Interference with the Foreign Relations, to Enforce the Criminal Laws of the United States, to Punish Espionage, and Better Neutrality, and the Foreign Commerce of the United States, approved June 15, 1917 (50 U. S. C. 31-32). It is the purpose of this contract to prohibit the contractor from divulging any information whatsoever concerning the vessel/vessels to unauthorized persons, and particularly to those not citizens of the United States, including the divulging of any characteristic data upon which the machinery of the vessel/vessels or other appurtenances are to be designed for the purpose of obtaining plans or technical information in connection with detail design from any foreign source. Attention is also invited by the Department to the provisions of the Act of January 12, 1938 (50 U. S. C. 45), as supplemented by Executive Order 8381, dated March 22, 1940, prohibiting the making of photographs, sketches, or maps of vital military and naval defensive installations and equipment.

Confidential papers.

(b) The contractor will employ no alien on the work of preparing plans, the actual work of building the vessel/vessels, and the running of the trials, unless the Secretary of the Navy shall give his consent expressly in writing to the employment of aliens specifically named; pursuant to the provisions of the Act approved June 28, 1940 (Public No. 671, 76th Cong.), no aliens shall be permitted to have access to the plans or specifications of the vessel/vessels or the work under this contract or to participate in the trials unless the written consent of the Secretary of the Navy has first been obtained; and the contractor in each subcontract relating to the work covered by this contract will include a provision by which the subcontractor shall agree not to employ any aliens in any position giving such aliens access to the plans and specifications or to the work of assembling any vessel as a whole or any major portion thereof, unless the Secretary of the Navy shall give his consent.

Employ citizens of United States.

(c) (1) The contractor will immediately submit a confidential report to the Department whenever, for any cause, it has reason to believe that an active danger of espionage or sabotage exists at the plant, factory, or site of the work and/or materials covered by this contract. Such report shall contain complete information relative to the reasons which cause the contractor to be apprehensive of such danger.

National Defense Clause.

(2) The contractor will, whenever directed by the Department, report to the Department the citizenship, the country of birth, or the alien status of any or all of his employees at the plant of the contractor.

(3) The contractor will refrain from employing, or, if already employing, will forthwith discharge from employment and exclude from the plant of the contractor any person or persons designated.

(4) The contractor will include in all subcontracts a provision which will make the requirements of this National Defense Clause applicable to all subcontractors who do any part of the work or furnish any part of the materials used in the performance of this contract.

(d) In addition to the ordinary precautions heretofore adopted by the contractor for the guarding and protection of its plant and work, the contractor shall provide such additional watchmen and devices for the protection of its plant and property and the work in process for the Department against espionage, acts of war, and acts of enemy aliens as may be required by the Secretary of the Navy. The additional cost thereof shall be treated as a change under this contract.

Special plant protection.

4. (a) Within 120 (120) months after the date of this contract the contractor will furnish to the Supervisor of Shipbuilding a schedule of hull and armor and other ordnance plans and a schedule of engineering plans proposed for the construction of the vessel/vessels. Such schedules shall include for each plan the contractor's number, the title, and the prospective date of its submission to the Supervisor of Shipbuilding. Such schedules shall be modified from time to time as may be necessary and resubmitted, and in any case, at 120 (120) month intervals during the construction period, corrected or modified schedules shall be resubmitted to the Department.

Working plans.

(b) In case the Department, pursuant to the provisions of this contract, shall cause another contractor to furnish to the contractor copies of plans, booklets, material schedules, material orders, lists, etc., neither the obligation of the other contractor to furnish such plans, etc., nor the furnishing thereof by the other contractor shall expressly or impliedly include (a) any guaranty that such plans, etc., will be made available to the contractor at any time or in any particular order, or (b) any other guaranty or warranty by such other contractor, except that such plans, etc., are correct copies of the plans, etc., for a vessel constructed or to be constructed by such other contractor, or (c) any license for the use of any patented article or invention shown or listed in said plans, etc.

Prompt action
on plans.

(c) Plans requiring the approval of the Department will be submitted by the contractor to the Department promptly after they shall have been prepared and the Department will promptly act on them and return them to the contractor. In returning any of such plans to the contractor the Department shall release work if practicable subject to changes or modifications therein acceptable to the contractor, and the contractor will promptly make such changes or modifications and return such plan as so modified or changed to the Department, and promptly upon the receipt thereof the Department will act on it and return it to the contractor.

(d) In case the Department, pursuant to the provisions of this contract, shall furnish or cause to be furnished to the contractor copies of plans, booklets, material schedules, material orders, lists, etc., for use in the construction of the vessel/vessels, the Department shall not be under any duty to review such copies of plans, etc., prior to the delivery thereof to the contractor. The contractor shall correct obvious errors in such copies of plans, etc., make all changes therein necessary to adapt them to the methods and facilities in use at the plant of the contractor and shall refer its corrections and/or changes to the Supervisor of Shipbuilding for approval.

Copies of plans
furnished by
contractor.

(e) The Department reserves the right to require the contractor to perform any one or more of the following services, all of which are to be in addition to those relating to the working and finished plans, booklets, etc., which the specifications require to be furnished by the contractor:

(A) Furnish, to such other contractors as may be designated by the Department such copies of working and finished plans, booklets, material schedules, and material orders, lists, etc., as may be necessary for constructing vessels similar thereto (as a matter of arrangement between the contractors and at the cost of reproduction) which shall have been prepared by the contractor for use in constructing the vessel/vessels under this contract.

(B) Furnish to the Supervisor of Shipbuilding, for such use by the Department as it may desire, any part or all of the following items:

(a) One or more blueprints of each plan applicable to the vessel prepared or purchased for use in constructing the vessel/vessels.

(b) One "See-B" tracing and one check blueprint of each plan prepared or purchased by the contractor for use in constructing the vessel/vessels.

(c) If alterations are made in an approved plan of which a "See-B" tracing or a blueprint already has been furnished, a "See-B" tracing or a blueprint of the plan as altered, or a description in writing of the alteration, as determined by the Supervisor of Shipbuilding.

(d) One copy of each material schedule and material order, exclusive of prices, which shall have been prepared by the contractor for use in constructing the vessel/vessels.

(e) Within THREE (3) months after the date of this contract, "See-B" tracings of plans showing the outline dimensions, foundation seatings, and locations of pipe connections in each of the following units to be installed on the vessel/vessels:

- (1) Ship's service turbine-driven generators.
- (2) All Diesel-driven generators.
- (3) Ship's service generator switchboard and voltage regulators.
- (4) Forced-draft blowers.
- (5) All pumps.
- (6) All air compressors.

The furnishing of all such blueprints, "See-B" tracings, material schedules, and material orders required to be furnished in accordance with the provisions of this paragraph (B), will be treated as a change under this contract.

(C) Assemble and deliver to the Department, when the vessel designated by the Department is completed, any part or all of the following relating thereto, which are for use in constructing other vessels:

(a) A reproduced tracing of each of the working plans, corrected to show all changes made during the construction period. An index in convenient form showing the order in which the plans were required for use by the contractor, shall be furnished separately. The faired mold loft offsets shall be included with such plans.

(b) A corrected copy of the allowance list, in form suitable for duplicating.

(c) One copy of each of the steel schedule sheets, showing all changes and corrections made during the construction period, sufficiently legible to permit blueprinting. On such schedule sheets shall be listed all plates and shapes entering into the construction of the aforesaid vessel, whether on mill or yard schedules.

(d) Lists of all material (other than those covered by subparagraphs (b) and (c) of this paragraph (C)) used in the construction, equipping, and outfitting of the aforesaid vessel. There shall be shown on such lists the item, quantity, name of manufacturer, time interval from the date of order to the date of receipt, and the date on which such material was installed in the aforesaid vessel or on which the construction thereof had advanced to where it could have been installed therein. While it is desirable that such lists be as inclusive as possible and cover materials for services, etc., such lists shall not be so complicated as to defeat their purpose of expediting the work of a building yard. One copy of each requisition and specification for material having special characteristics shall be furnished in addition to such lists.

(e) A curve or tabulation by months of the total working force employed in the shops and on the aforesaid vessel, showing the distribution by trades and the split between mechanics and helpers.

(f) A brief chronology of such principal events during the construction period as, in the opinion of the contractor, would be of assistance to an inexperienced organization in planning the similar work.

The assembling and delivery of such plans, lists, schedules, etc., if required in accordance with the provisions of this paragraph (C), will be treated as a change under this contract.

Neither the obligation to furnish or assemble and deliver any of such copies of plans, booklets, material schedules, material orders, lists, etc., required by the provisions of paragraphs (A), (B), or (C) of this Article 4 nor the furnishing or assembling and delivery of any part thereof by the contractor shall expressly or impliedly include (a) any guaranty or warranty by the contractor, except that they are correct copies of such plans, etc. for the aforesaid vessel or (b) any license for the use of any patented article or invention shown or listed in said plans, etc. Acceptance of this contract does, however, give the right to the Government to use such plans, booklets, schedules, orders, lists, etc., for the construction of other vessels.

5. (a) All material used in the construction of the vessel/vessels and the quality of the workmanship employed in producing such material and in the construction of the vessel/vessels (if not otherwise designated by the specifications) shall be subject to inspection, examination,

Plans.

Allowance list.
Steel schedule
sheets.

Lists of material.

Labor load.

Chronology of
building.

Inspection.

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